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Azerbaijan Conflict Assessment:

Azerbaijan at the Crossroads

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Final Report

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The views and recommendations expressed in this report are solely those of the MSI Assessment Team and are not necessarily those of USAID or the U.S. Government.

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Table of Contents

Introduction

This report presents the findings of a conflict assessment conducted in Azerbaijan, 7-27 February 2004. This assessment is designed to assist USAID/Azerbaijan in developing its new country strategy. It also makes a series of recommendations about possible interventions that can help minimize the potential for conflict in Azerbaijan. While Azerbaijan currently is calm, it registers as "high risk" on several watch lists that track long-term factors correlated with violent conflict.[1] Of these factors, a number—in particular high poverty, income inequality, widespread unemployment (particularly among young people), political structures that are repressive or in transition, a poor track record of dealing peacefully with ethno-nationalist or religious minorities, and over-dependence on primary commodities—are present in the Azerbaijani context. Taken together, they warrant concern, particularly over the mid- to long term.

This assessment explores these risk factors in greater detail and offers a series of recommendations for USAID/Azerbaijan's assistance strategy. Much of the information contained in the report will already be well-known to many of the Mission's readers; this report's goal is to make more explicit in readers' minds the link between familiar facts and the prospects for violent conflict. Similarly, many existing USAID and partner programs already directly or indirectly address many of the most important sources of potential violent conflict; the aim of this assessment is to help the Mission reinforce existing conflict prevention strategies and formulate new ones.

This assessment is part of a global USAID initiative to better understand how development assistance interacts with the causes and consequences of widespread, deadly violence. Conflict assessments such as this one are diagnostic tools designed to help Missions: 1) identify and prioritize the causes and consequences of violence that are most important in a given country context; 2) understand how existing development programs interact with factors linked to violence; and 3) determine where development and humanitarian assistance can most effectively support local efforts to manage conflict and build peace. They are intended to be complemented by a series of issue-specific program toolkits that provide practical guidance to USAID program designers and managers. These toolkits explore risk factors in greater detail and lay out key lessons learned, program options, monitoring and evaluation tools, and relevant USAID mechanisms and implementing partners (for a list of available and forthcoming toolkits, see Appendix C).

Based on discussions with Mission and Embassy staff, the team focused on four areas of Azerbaijan considered to be at greatest risk of violence – the southern border region with Iran, the northern border, the central "IDP belt," and poor neighborhoods in greater Baku. In addition to visiting IDP neighborhoods in Baku, the team traveled to Jalilabad, Masali and Lenkeran in the south, Sheki, Belekan, and Zaqatala in the north, and Imishli and Fizuli in the central region. The team conducted interviews with Mission and Embassy staff, implementing partners, local government officials, community leaders, opposition figures, civil society groups, journalists, and scholars at research institutes. A list of the organizations and individuals contacted by the team can be found in Appendix A.

[1] See, for example, Peace and Conflict 2003: A Global Survey of Armed Conflicts, Self-Determination Movements, and Democracy, Center for International Development and Conflict Management, University of Maryland, College Park.

Major Findings

Azerbaijan stands at a crossroads. The country is on the verge of a boom in oil-related revenues that has the potential to dramatically increase GDP over the next decade. At the same time, the country, while still calm, registers as "high risk" on several watch lists that track long-term factors correlated with violent conflict. In particular, Azerbaijan falls into several major categories that are statistically linked with higher than average chances for the outbreak of violent conflict.

- Azerbaijan is poor. Poverty and stagnant or negative economic growth is strongly correlated with the emergence of violent internal conflict. Furthermore, Azerbaijan's poverty is associated with three particularly risky conditions: high unemployment, individual and regional income inequalities, and competition over valuable natural resources such as land, water, and forests. Of most concern is the country's heavy dependence on oil: on average, countries with abundant oil resources have experienced poor overall economic growth and atypically high levels of poverty. Indeed, the correlation between poverty and violence noted above is particularly strong in countries that are highly dependent on single primary commodities.

- Azerbaijan's political system is neither fully free nor well governed. "Gray zone" regimes (regimes sharing a mix of authoritarian and democratic features) are four times more prone to civil war than full democracies. Meanwhile, only 37% of countries scoring poorly against World Bank governance criteria remain free from violent conflict. Furthermore, Azerbaijan's political environment is in transition, with the relationship between new President Ilham Aliyev and the country's political old guard still not completely certain—statistically, a particularly dangerous phase. Again, the predominance of the oil sector is not encouraging: a heavy dependence on primary commodities is also globally associated with bad governance, including poor public service provision, corruption, economic mismanagement, and poor performance in human development.

- The Azerbaijani state has a poor track record in dealing peacefully with the concerns of ethnic and religious minorities. States with poor track records in dealing with any minority group are at higher risk both of renewed conflict with that group and of fresh conflict involving other minority groups.

- Azerbaijan's crippling levels of corruption also increase the chances of violent conflict emerging from the factors listed above. While corruption is not a direct cause of violent conflict, it frequently exercises a multiplier effect, both through its inhibiting effects—its role in preventing economic development and limiting opportunities for political expression—and through its exacerbation of frustrations generated by poverty, inequality, lack of political voice, or ethnic and religious discrimination.

Against this backdrop, this study has identified four groups of particular concern—some of which may already be going underground to avoid official pressure:

- A substantial youth cohort (15-29), an age group that globally is disproportionately implicated in outbreaks of violence—particularly in conditions of high unemployment.

- A large population of impoverished and embittered internally displaced persons (IDPs), whose politics (particularly those of younger IDPs) may be radicalizing;

- Ethnic groups expressing increasing apprehension in the face of official indifference to cultural issues and a perceived rise in militant Azeri nationalism;

- Individuals influenced by extremist Islam, whose numbers may be growing in response to corrupt or inadequate social services, social dislocations, and government efforts to keep a tight rein on religious as well as secular association.

Despite the presence of many risk factors, several inhibiting factors also exist that are working against the emergence of violent conflict. Primary among these is labor migration of working-age males to Russia and Turkey, which not only brings much-needed remittances into the country (most noticeably in the regions) but also thins the ranks of potential recruits to violence. Meanwhile, there do not appear to be any organizations that are currently capable of mobilizing violence on a large scale.

Indeed, the situation has the potential to improve, depending on how the current government responds to the situation and how cohesive it remains. President Aliyev has promised to create 600,000 jobs over the next five years, to combat corruption, and to raise living standards across the country, with a special focus on developing regional economies and improving the lives of the country's poorest IDPs. If, thanks to these or other measures, regional economies begin to rebound, small and medium sized enterprises begin to develop, and employment improves, Azerbaijan may remain internally stable for some time.

However, the success of these measures is far from assured. Persistent problems in the business environment or structural factors such as "Dutch disease"—an oil-driven stifling of the broader economy—may inhibit the resurrection of the non-oil sector and hence the prospect of boosting employment nationwide, particularly in non-oil-producing regions. Pervasive corruption may further complicate efforts to distribute oil benefits more equally. Under these conditions, frustrations with unemployment, with shortfalls in basic services, and with social dislocations could spark protests of the type already seen in the Baku suburb of Nardaran. Furthermore, if the national political leadership fragments over questions of political or economic reform or redistribution, elites could be motivated to incite violence as part of a power grab. In either event, many doubt that the Azerbaijani security services possess the skills, the resources, or the will to quell widespread protests in a peaceful fashion. As a consequence, violence could escalate.

In coming months, Azerbaijan will face potential windows of vulnerability—moments when many forces related to conflict could come together in a relatively brief period of time. Many of these moments are likely to be unpredictable, such as the arrest of popular religious or ethnic leaders. However, events that threaten to change the balance of political or economic power between key players are also risky. Most immediately, the municipal council elections later this year could precipitate clashes, particularly in municipalities where more democratic (or at least more effective) local government institutions are beginning to challenge non-elected authorities or areas that experienced post-election violence in October 2003.

Finally, regardless of whether internal conflict emerges, the chances of renewed violence within the next decade between Azerbaijan and Armenian forces over Nagorno Karabakh appear high. Since the presidential elections, Azerbaijani officials have reiterated disenchantment with the Minsk process and made bellicose statements amid reports that military expenditures will increase as oil revenues grow. A confrontational stance is also favored by most opposition parties, many of whose members have called for the use of force if negotiations fail to achieve progress. Meanwhile, popular support for renewed conflict is high, fanned by school textbooks, government rhetoric, and the media. If chances of economically- or politically-driven unrest in the country appear to be growing, the government may use renewed hostilities as a diversionary tactic; conversely, lack of movement in negotiations might spark popular protests. As a consequence, the chances of a conflict-related humanitarian crisis in the next decade appear significant.

USAID and its implementing partners already have many programs in place that either explicitly or implicitly address many of the most important sources of potential violent conflict. Existing USAID and partner programs that support the diversification of the non-oil sector, economic growth in the regions, provide employment, provide people with alternatives to corrupt banking systems through the provision of credit, and promote non-violent dialogue between government and civil society already play a valuable conflict prevention role. In many cases, the conflict prevention function of these programs might be enhanced simply through more explicit attention to at-risk groups or regions or through folding in targeted anti-corruption or peace-building strategies.

This study recommends that the Mission continue and expand efforts focused on ameliorating key economic grievances and strengthening the capacities of peaceful mechanisms for deliberation, dissent, and redress. Key conflict-related goals for each of the issue areas described are:

Economic issues:

- Encouragement of employment across all regions of the country, especially for young people and IDPs.
- Reduction of chances of resource-related conflicts.

Political Issues:

- Encouragement of supply-side as well as demand-side commitment to and ability to deliver political empowerment of citizens, especially outside the capital.
- Strengthening of avenues for the peaceful settlement of disputes, both within and outside the legal system.

Corruption:

- Reduction of corruption's overall impact on the economy and in particular its multiplier effects on existing frustrations.

Groups at risk:

- Economic and psycho-social integration of young people and IDPs.
- Reduction of anxiety among ethnic groups.
- Inhibition of development of religious extremism

Some cross-cutting themes to keep in mind include:

- Conscious consideration and (where feasible and not inappropriate) prioritization of high-risk groups—particularly young people—in most programs.
- Incorporation of explicit anti-corruption messages into initiatives—particularly programs that provide alternatives to participation in corrupt structures, such as SME and micro-credit programs.
- Strengthening of institutions and processes that cross lines of division—regional, ethnic, or religious.
- Maintaining a balance in programming between Baku and the regions, particularly those at higher risk of ethnic or religious tensions or those with particularly weak regional economies.
- Engagement with private sector interests and associations with an interest in stability.
- Expansion of the capabilities of local authorities—both elected and non-elected—to identify and address conflict issues.
- Engagement with potential spoilers as well as like-minded groups.

Fifteen ideas for specific programs/projects can be found starting on page 23.

This report proceeds in five parts. First, it examines economic, political, and corruption-related problems facing most Azerbaijanis that may serve as incitements to violent conflict. Next, it describes special pressures affecting four groups identified by this study as being particularly at risk of involvement in violent conflict. Third, it outlines possible future paths for the country. Finally, it lays out recommendations for USAID programming.

It is important to note that due to time constraints, the team was not able to look at the full range of USG or other donor programs. As a consequence, an initial recommendation would be to circulate the report to the Embassy, partners, and other donors, to see if all potential sources of violent conflict have been identified or if gaps identified here are already being met. Circulation of this assessment within the donor community may lead to other suggestions or idea-seeding in other donor portfolios as well.

Risk Factors for Violent Conflict in Azerbaijan: Economic Problems, Political Limitations, and Corruption

This section of this report lays out a number of broad-scale sources of grievance and instability affecting Azerbaijani society. The grievances described—economic problems, political limitations, and corruption—are ones faced at one point or another by many Azerbaijani citizens; they have the potential to arouse frustration in wide segments of the population. Meanwhile, the general sources of instability described similarly have the potential to affect the lives of the majority of citizens. All, as further outlined below, are associated with elevated chances of violent conflict.

Economic Risk Factors

Azerbaijan has many signs of, if not a healthy, at least a convalescing economy. The country's post-Soviet economic decline bottomed out in 1995, and growth is accelerating, up from 1.3 percent in 1996 to 10.6 percent in 2002 and 11.2 percent in 2003.2 In particular, foreign direct investment in Azerbaijan is up sharply: according to UNCTAD, such investment rose to US$1.4 billion for 2002, more than six times the level for 2001.[3]

Nevertheless, this growth starts from a very low base. In 2001, almost 4 million Azerbaijanis—about 50 percent of the population—lived in poverty, consuming less than AZM 120,000 (approximately US$24) per capita per month. Among these, 1.3 million persons, or 17 percent of the total population, lived in extreme poverty, with monthly consumption below AZM 72,000 (approximately US$14) per capita per month.[4] Although recent GDP growth has doubtless spawned some trickle-down effects, little evidence exists to suggest that these figures have improved dramatically.

This situation is worrisome as far as prospects for violence are concerned. Recent research confirms that poverty—rather than other factors such as culture, religion, or geographic location—is the factor most strongly correlated with the emergence of violent conflict. Indeed, at the global level, internal conflict is overwhelmingly concentrated in low-income countries, particularly in those experiencing stagnant or negative economic growth.[5] Indeed, 80 percent of the world's 20 poorest countries have experienced violent conflict recently.[6]

Three aspects of Azerbaijan's poor economic state—all linked in the scholarly literature with higher than average prospects for violence—are of particular concern to those focusing on the potential for violent conflict. These are the country's high level of unemployment, including among young people; high levels of income inequality, both between individuals and between Baku and other regions of the country; and problems of natural resource allocation, in particular uncertain land tenure and problems of access to water, both of which are at the heart of the ability to earn a livelihood in rural Azerbaijan.

Unemployment

There is a strong correlation between large youth cohorts and violent conflict. The reason most commonly offered for this correlation is the fact that large pools of young people, particularly unemployed young people, represent a ready pool of recruits for people seeking to mobilize violence, both because they are frustrated, because they have little to lose.[7] In Azerbaijan, although official statistics recorded only 55,000 Azerbaijanis as unemployed in 2003, recent UNDP/ILO research reportedly put the national figure at more than 400,000 (10.7 percent of the working-age population), with unemployment in urban areas

[2] State Statistical Committee of Azerbaijan 2003; US Dept. of State 2003.
[3] RFE/RL Newsline, 27 October 2003.
[4] World Bank 2003.
[5] Collier and Hoeffler 2002b.
[6] Michael 2003.
[7] Collier and Hoeffler 2002b.

twice that of rural areas. Meanwhile, the 2003 State Department Human Rights Report put the figure at 15–20 percent.[8] Underemployment reportedly is also common; for instance, one energy analyst holds that only about 9,000 of the 100,000 employees on the books of the State Oil Company (SOCAR) actually work at full pay. The decision by an estimated 2 million Azerbaijanis to seek work each year in Russia or Turkey (discussed more fully below) and President Ilham Aliyev's recent promise to add 600,000 jobs over the next five years probably are indicative of the true employment situation.

Inequalities of income distribution

Income inequalities also can serve as a powerful incentive to violent conflict. The poor (whether individuals or regions) may rebel to induce wealth redistribution; meanwhile, the rich may instigate violence to preempt redistribution.[9] In Azerbaijan, in 2002 the lowest 10 percent of the population were responsible for 2.8 percent of total income consumption, while the highest 10 percent consumed 27.8 percent.[10] Disparities between individual income levels are most visible in Baku, which most benefits from oil sector development while also serving as home to around 20 percent of the country's poorest citizens.[11] Of even greater concern, however, is the fact that while Baku's economy is gradually growing, the economies of other regions of the country are stagnating. According to the UNDP, in mid-2000 the average monthly salary was AZM 296,000 in Baku and AZM 203,000 countrywide; however, that figure was less than AZM 100,000 per month in 14 regions.[12] World Bank research indeed indicates that the Azerbaijanis most likely to live in extreme poverty are residents of cities other than Baku.[13]

Resource allocation

Globally, competition over scarce natural resources has proven to be an important source of societal tension, which in the presence of other factors can erupt into violent conflict.[14] In Azerbaijan's case, the three resources most at risk of causing conflict are land, water, and forestry resources. In the case of land, while 40 percent of Azerbaijan's population is engaged in agriculture or forestry, only 19.3 percent of the country's territory is arable.[15] The government's post-Soviet privatization program has been reasonably comprehensive: 98 percent of farmland is now privatized.[16] However, in many—perhaps a majority of—cases, landowners lack formal proof of title.

This situation has two important consequences of relevance to prospects for violent conflict. First, it inhibits individuals from collateralizing their land, further interfering with the development of the agricultural sector and hence contributing to the poverty-related risk of violence. Second, it means that land allocations—which frequently were made neither equitably nor transparently—often are subject to dispute if new factors emerge that increase the value of particular plots. For instance, the construction of the Baku-Tbilisi-Ceyhan (BTC) pipeline has engendered numerous disputes between local landowners and land users over who holds title to plots that will attract compensation. The situation is further complicated by the fact that some 40 percent of agricultural lands are owned by municipalities, not individuals, with decisions on their use subject to corruption and politicization. Finally, results from

[8] *Now!*, 20 February 2004: 2-3; US Dept. of State 2003. Anecdotal reports suggest that in some parts of the country unemployment is at crisis levels; in Sadarak in Nakhichevan, for instance, one reporter found that in mid-2003, only 230 of the town's 7,500 working-age individuals had jobs.
[9] Sen 1973.
[10] CIA World Factbook 2003.
[11] World Bank 2003.
[12] UNDP 2002. Although across the 44 regions surveyed average salaries ranged from AZM 100,000 to AZM 295,000, 41 of the 44 regions enjoyed average salaries of AZM 150,000 or less.
[13] World Bank 2003.
[14] Hauge and Ellingson 1998.
[15] CIA World Factbook 2003.
[16] U. S. Department of State 2003.

several municipalities show that even clear and fair demarcation of boundaries can easily be torn up if new municipal elections overturn what communities have agreed to with existing authorities.

The scarcity of water resources has similar potential to lead to tensions. The United Nations State of the Environment 2002 report on Azerbaijan found the country's water resources to be limited and more than half the country's larger rivers to be contaminated. Much of the country also is subject to drought, and some aquifers are suffering from salt intrusion.[17] The double burden placed on many lands by the presence of both local communities and IDP camps not only degrades water resources but also adds to pressures on an already scarce commodity. The privatization of control over pumps and wells in the post-Soviet period has left individuals with monopolistic control over water resources, a situation that encourages pump and well owners to raise rates and to make allocation schedules subject to competitive bids. While communities thus have high incentives to reach agreement among themselves on price and allocation levels and schedules, individuals with control over water rights also have an incentive to destabilize such agreements—a situation that some fear could lead to aggression against local authorities if resources become scarcer, as well as to conflict between communities themselves.[18]

Finally, especially in the north of the country, clashes have already occurred over access to forestry resources. These clashes have pitted local users—in some cases from minority ethnic groups—dependent on forests for firewood and for products such as nuts against non-local timber companies. Over the longer run, deforestation also poses risks of broader environmental damage as well as growing individual hardship as sources of firewood and of forest products vanish.

Sectoral issues

Azerbaijan's non-oil sector has suffered particularly severely in the post-Soviet period. While output in the oil sector increased by over 200 percent between 1995 and 1999, output in the non-oil sector decreased by about 39 percent in the same period.[19] Agricultural production is at 75 percent of its 1990 level.[20] Medium-sized enterprises have collapsed, with an estimated 90 percent of Soviet-era plants idle.[21] Meanwhile, the oil sector has risen sharply in its share of GDP, up from 16.4 percent in 1995 to 27.3 percent in 2000. It now comprises over two-thirds of industrial production (67.5 percent in 2001) and more than 90 percent of the value of the country's exports. It also claims the lion's share of foreign direct investment, having brought in about US$4 billion since 1994.[22] Indeed, according to UNCTAD figures, of the US$1.4 billion in foreign direct investment in 2002, only slightly over $400,000 was in the non-oil sector.[23] The non-oil sector may be making a gradual comeback: non-oil exports reportedly rose slightly in 2003, led by agricultural and chemical products, and the post-Soviet fall in manufacturing production appears to have bottomed out in 2001, with the World Bank reporting a rise of 4 percent in 2002.[24] Nevertheless, the oil sector seems likely to dominate the Azerbaijani economic scene for at least a decade.

Excessive reliance on the oil sector is not encouraging from the point of view of the prospects for violent conflict, for several reasons. First, the sector is unlikely to contribute significantly to combating Azerbaijan's unemployment problems or income disparities. Hydrocarbon production is not a labor-intensive activity: despite accounting for 27.3 percent of GDP in 2000, the oil sector constituted only 1

[17] UNEP 2002.
[18] CHF 2003.
[19] Bagirov *et al*. 2003.
[20] It should be noted that much of this decline took place immediately after the collapse of the Soviet Union; compared to 1992, 2001 agricultural production levels were down only 3 percent. The team thanks John Brannaman for his assistance on this point.
[21] Yunusov 2003: 150.
[22] Bagirov *et al*. 2003.
[23] RFE/RL Newsline 27 October 2003.
[24] U. S. Department of Commerce 2004; World Bank 2004.

percent of total employment in that year, although it may have risen to 3 percent by 2003. (Indeed, although oil sector employment increased by 31 percent from 1995 to 2001, in real number this was an increase of only 9,000 jobs; over the same period, the non-oil sector lost 110,000 jobs.[25]) The prospect for a significant oil-led reduction of the country's unemployment rate thus seems dim. Meanwhile, the oil economy has the potential to exacerbate existing income disparities between regions. Beyond the temporary construction boost associated with the construction of the BTC and Baku-Tbilisi-Erzerum (BTE) pipelines, most service-sector benefits (provision of housing, food, transportation) will accrue to Baku and a few terminal points such as Sangachal, as most investment has been concentrated in oilfields offshore.

Second, the predominance of the oil sector carries broader implications and dangers. Globally, countries with abundant oil resources have on average experienced unimpressive overall economic growth, atypically high poverty rates, and a high rate of violent conflict.[26] Indeed, the correlation between poverty and violence noted above is particularly strong in countries that are highly dependent on "monocrop" primary commodities.[27] To a certain degree, the correlation between primary commodity dependence and poverty reflects the risks inherent in over reliance on a single export, which can increase a country's economic vulnerability to global commodity price fluctuations—particularly damaging in countries lacking the social safety nets necessary to buffer citizens from such macroeconomic shocks.[28] Furthermore, some of the benefits of increased investment in the oil sector—for instance, in pipeline construction—are probably temporary. For example, when the Baku-Supsa pipeline was underway, construction represented 13 percent of GDP. However, after completion of the pipeline, the sector fell back to 6 percent of GDP in 2001.

Equally of concern as the vagaries of oil income are the effects of overdependence on oil on the rest of the economy. Like all countries with a substantial natural resource, Azerbaijan is vulnerable to the condition known as Dutch Disease, which occurs when large amounts of foreign currency earned from the sale of a commodity such as oil are converted into local currency. The effect is to raise the demand for local currency, leading to appreciation of the exchange rate. As a result, imports become cheaper and exports more expensive, weakening both domestic and foreign demand for domestically-produced non-oil products. As a consequence, financing shifts away from the non-oil sector, eventually leading to drops in employment. It seems probable that in the late 1990s, prior to the establishment of the State Oil Fund in 2001 (SOFAR), Azerbaijan was indeed experiencing early symptoms of Dutch Disease.[29] However, the Fund's function of isolating foreign earnings from the economy appears to have checked the trend at least temporarily, and IMF analysts currently believe that Azerbaijan is showing few signs of the problem. Nevertheless, the possibility that Azerbaijan's oil will prove to be a "resource curse" inhibiting the development of the more labor-intensive (and hence violent-conflict-inhibiting) non-oil sector remains worrisome. [30]

Political Risk Factors

Azerbaijan's political system, by most accounts, is neither completely free nor well-governed. Azerbaijan rates as "partly free" in the 2003 Freedom House Table of Independent Countries, with a rating of 5 (7 being the worst) for civil liberties and 6 for press freedom. The State Department's 2003 human rights report for Azerbaijan catalogues a number of areas of concern, from election irregularities, human rights

[25] Bagirov *et al*. 2003: 96.
[26] Tsalik 2003, Ross 2003.
[27] Collier and Hoeffler 2002b.
[28] For instance, in 1998 and 1999, when crude oil prices tumbled to as low as $10.90 a barrel, Azerbaijan's balance of payments deficit ballooned to 32.6 percent of GDP; budget revenues decreased by 9.3 percent and expenditures by 10.3 percent (Bagirov *et al*. 2003: 95).
[29] Bagirov *et al*. 2003: 93-94.
[30] Bagirov *et al*. 2003: 93-94.

abuses, and restrictions on religious freedom to limitations on freedom of assembly and of the press.[31] Meanwhile, Azerbaijan scores poorly against most World Bank governance criteria, including rule of law, control of corruption, government effectiveness, and voice and accountability.[32]

These issues have a direct bearing on the prospects for violent conflict in Azerbaijan. Globally, "gray zone" regimes (regimes sharing a mix of authoritarian and democratic features) have shown themselves four times more prone to civil war than full democracies.[33] Meanwhile, only slightly more than a third of countries performing badly against World Bank governance criteria have remained free from violent conflict, while 70% of countries scoring well experience no violence.[34]

Of particular concern in the Azerbaijani context is a pervasive atmosphere of political disempowerment, which results from at least two factors. First, it results from political structures that concentrate power in the hands of individuals at the expense of larger, potentially more broadly representative bodies. At the national level, the heavy concentration of power in the executive greatly inhibits the exercise of initiative or autonomy by the national legislature. At the local level, non-elected heads of local executive authorities (commonly known as excoms) have substantial control over local affairs, leaving elected municipal councils largely impotent. The country's judicial system is also under strong executive and (at the local level) excom control.

Second, political disempowerment results from a general lack of avenues for peaceful expression of dissent or petitions for change. Few Azerbaijanis appear to have faith in the freedom or fairness of the electoral process at any level of government, from national to municipal. The ruling party's tendency up to this point to equate dissent with disloyalty has led to a shutting-out of opposition parties as well as of non-governmental organizations or individuals seeking change in existing policies or in political direction. The judicial system has frequently been used to stifle political opposition, and courts are widely viewed as corrupt and inefficient. Finally, the police and security services have routinely responded either to individual dissent or to public expressions of protest with violence.

This climate of disempowerment bodes ill for Azerbaijan's chances of avoiding not only politically-driven conflict, but indeed violent conflict writ large, for a number of reasons. First, through its intransigent stance up to this point towards most opposition groups, the government has perpetuated a climate of political intolerance that has risked inhibiting the development, among its opponents as well as among its supporters, of traditions of political compromise. Second, by failing to promote the judicial system as a venue for peaceful arbitration of grievances, the government has risked encouraging individuals to move outside the existing legal system in order to seek redress. Third, by resorting to violence both in quelling public expressions of protest and as a mechanism of intimidation, the police and security forces have inhibited the development of a culture of civility and have legitimized violence as a political tool. And finally, by restricting avenues for peaceful expression of dissent, the government has risked driving dissenting forces—whether opposition political parties, civil organizations, or other forces—underground.

These issues may be having an effect on the overall popularity of the New Azerbaijan Party and of the new presidency of Ilham Aliyev as well as on the legitimacy of governing institutions more broadly, with disturbing implications for the prospects for violent conflict in both cases. According to some analysts, the government has experienced a steady decline in support over the past several years; some estimate that younger people in particular swung strongly towards opposition candidates in the last presidential election. These analysts would argue that in order to retain its grip on power, the New Azerbaijan Party will have to resort to increasingly blatant electoral falsification, which (they would argue) is likely to lead

[31] US Dept. of State 2003.
[32] Kaufmann 2003.
[33] Esty *et al*. 1998.
[34] Miall 2001.

to violent expressions of protest. Others, however, believe that public disenchantment extends more broadly to include most "establishment" political players, whether in power or in opposition. These analysts believe that most opposition parties and leaders enjoy no greater public confidence than the ruling party (particularly, some would argue, since the presidential elections of last year, which may have been the nail in the political coffin of the first post-independence generation of opposition politicians). With governing institutions increasingly perceived as unresponsive and unaccountable, Azerbaijanis may be more likely to look outside the political system for redress of grievances—a development that may lead to clashes with political authority in the future. In either case, the existing situation has the potential to inhibit Azerbaijan's move to a peaceful, rule-of-law-based political culture.

The situation is not without bright spots. In a few areas of the country, municipal councils, either in defiance of or in cooperation with local excoms, have begun to deliver significant levels of public services to their constituents, building local understanding of and confidence in the concept of effective government. Indeed, it is too early to rule out the possibility that the new president, cognizant of the risks that the current political climate poses to Azerbaijan's long-term stability or to his party's rule, may choose to take steps to promote greater dialogue within Azerbaijani politics, more opportunities for local political representation, or the rule of law.

In relation to the prospects of political change, however, two points are worth mentioning. First, Azerbaijan's oil economy may serve as an impediment to progress. On average, countries with abundant oil resources have experienced poor governance—poor public service provision, corruption, economic mismanagement, and poor performance in human development. This is particularly true of countries that have not yet developed democratic institutions and a competent public administration system and civil service.[35] This is largely because political leaders sitting on top of massive oil revenues have little incentive to share power; they are for the most part able to buy loyalty, rather than having to earn it through transparent and accountable governance and competitive elections. In fact, transparency often threatens to expose these rentier networks and is resisted by governments.[36] While its political fate is far from sealed, Azerbaijan will nevertheless have to beat the odds if significant political reform is to be achieved.

Second, as far as the prospects for violent conflict are concerned, the fact that Azerbaijani politics are in transition, and that further change could be in the offing, makes the situation more, not less risky. Fundamental political change is a highly contested process. Any rearrangement of the existing distribution of power opens up new channels for competition, draws in new actors, creates new threats, opens up new possibilities for resource allocation and patronage, and often leads, at least in the short term, to the erosion of institutional constraints governing the behavior of powerful actors. In this fluid environment, elites will often attempt to use violence to advance their own narrow political or economic agendas. Such attempts may be directed internally, for instance, by fomenting competition between groups, or externally, by stirring up popular or military sentiment for a foreign clash. In the latter respect, the Nagorno Karabakh situation (discussed in greater detail below) is particularly dangerous.

Corruption

Azerbaijan's levels of corruption are crippling. The country ranks in the bottom 10 countries of Transparency International's 2003 Corruption Perceptions Index.[37] Meanwhile, a 2000 World Bank survey of the CIS region ranked Azerbaijan as the worst offender in terms of both state capture (where public and private actors prejudice the laws and policies of a state to their own narrow advantage) and

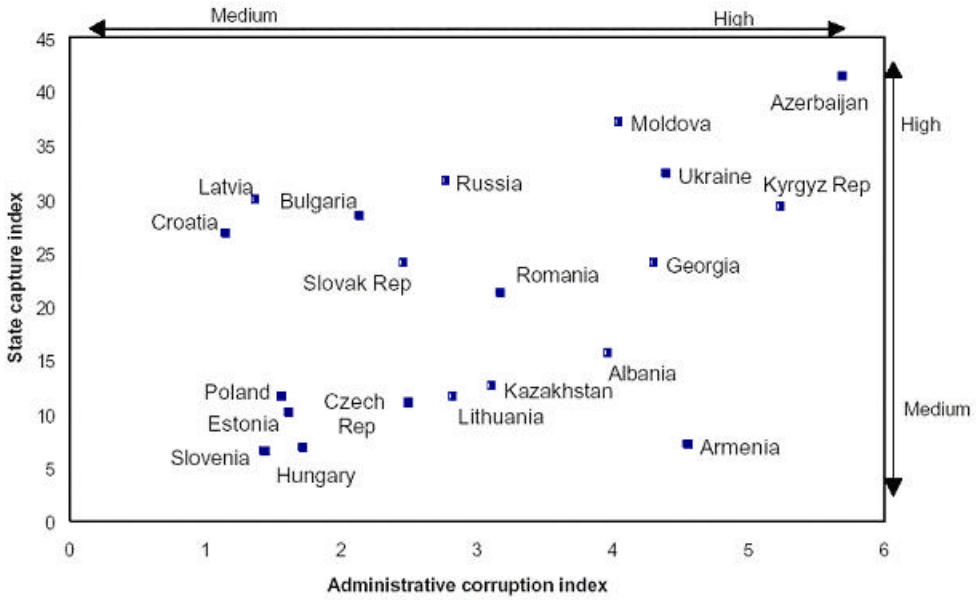
[35] Sachs and Warner 2000.

[36] Tsalik 2003: 5-9.

[37] Azerbaijan ranked 124th out of 133 countries surveyed; of the CIS states, only Tajikistan and Georgia ranked lower. (At the bottom of the list were Angola, Cameroon, Myanmar, Paraguay, Haiti, Nigeria, and Bangladesh.) Transparency International 2004.

administrative corruption (where unofficial payments are made to public officials in order to "get things done").[38]

Figure 1: Typology of Corruption



Source: World Bank 2000:

While corruption rarely is a direct cause of violent conflict, it frequently exercises a multiplier effect on other potential sources of violent conflict. First, it exercises inhibiting effects, preventing economic development and limiting opportunities for political expression. Second, it exacerbates of frustrations generated by poverty, inequality, lack of political voice, or ethnic or religious discrimination.

In Azerbaijan, corruption is linked to the potential for violent conflict in at least the following specific ways, and doubtless in many more.

Overall economic growth

- Corruption holds back the country's economic growth overall. First, it strips the economy of financial resources. The enormous sums of money being drawn out of the economy in the form of corruption-related payments are monies effectively lost to investment. Second, it contributes to the erosion of the country's infrastructure. For instance, corruption is implicated in the erratic quality of the country's supply of electricity, without which it is difficult to start virtually any kind of modern enterprise. Third, it erodes investor confidence, both domestic and foreign.

- Corruption serves as a further drag on the country's economic potential by holding back its human development. The need to pay bribes, in some cases not just to excel but indeed to pass, is one of the reasons cited for the nation's rising secondary school dropout rate. Meanwhile, citizens' inability to receive adequate medical treatment without bribes contributes to the country's depressing health statistics, which in turn affect employability. For instance, WHO

[38] World Bank 2000. Uzbekistan was excluded from the survey.

estimates that Azerbaijani males can expect to lose ten years of their life—17.2 percent of their total life expectancy—to poor health (women lose 11.3 years, or 16.8 percent).[39]

- In particular, corruption inhibits the regeneration of the non-oil economy. Punishing "taxes" prevent the formation and successful operation of small and medium-sized businesses. For example, the team talked with a Talysh businessman who was running a successful business in Russia and would have liked to open a business in Lenkaran, particularly given the difficult economic situation he felt his ethnic community faced, but who said that corruption made such a move impossible. By extension, corruption is thus implicated in the stagnation of non-oil-producing regions.

Unemployment, inequality, and resource allocation

- Corruption keeps the poorest poor by keeping them out of employment. First, individuals without the money to pay a bribe frequently are passed over for employment. Second, the need to pay school bribes affects the poorest's access to education, with lack of education in turn hurting employment prospects.

- Corruption perpetuates income inequalities through its key role in the distribution of wealth and income. Individuals incapable of buying access to wealth face difficulties in achieving it in other fashions.

- Corruption is pervasive in the allocation of resources, from land to water to forest resources. Individuals frequently need to pay bribes to receive formal title to their land; at the same time, land parcels are frequently allocated according to how much individuals can afford to pay. Water allocations are similarly subject to financial inducements.

Politics

- Corruption inhibits political turnover, in two ways. First, economic success is highly dependent on political access. Azerbaijan lacks a business oligarchy in the style of the Russian Federation; rather, political and economic opportunities are inextricably interlinked. As a consequence, political elites show an understandable unwillingness to cede power. Second, corruption blocks access to politics for those who lack the resources to buy their way in.

- Corruption erodes popular trust in political processes and public institutions writ large. It erodes the legitimacy not only of individual political actors and of the government, but of state structures, fuelling the calls of some for moves towards other forms of social organization such as extremist Islam (discussed below).

Social grievances

- Corruption inhibits the provision of social services designed to alleviate grievances. For example, in Imishli the team talked with a young IDP woman who qualified for government housing (ahead of many others, since she had small children) but who was still living in a boxcar because she could not afford the bribes necessary to receive what should have been a social entitlement.

[39] WHO 2004. The country's life expectancy is low: 63.16 years overall, with males living on average 58.95 years and females 67.58 years (CIA World Factbook 2003).

- Of particular note where prospects for violent conflict are concerned, corruption pushes young people out of schools, contributing to youth alienation and grievance and creating pools of potential recruits to violent causes.

The need to combat corruption in Azerbaijan thus appears acute. However, efforts to combat corruption can often be as risky as the condition they seek to eradicate. First, corruption can be a powerful force for ensuring elite cohesion. In many instances, elite stability is based on a relatively equitable equal distribution of rents from corruption; any attempts to overturn that distribution thus can lead to an elite backlash. Second, anti-corruption campaigns often are hijacked for narrow political advantage, and can become a powerful tool in the hands of rival elites. In these circumstances, individuals can resort to incitement of unrest to avoid losing wealth or power.

Risk Factors for Violent Conflict in Azerbaijan: Groups at Risk

The section above has outlined factors for violent conflict in Azerbaijan that affect the majority of Azerbaijani citizens. When assessing the prospects for outbreaks of violence, however, it is also necessary to determine what groups or organizations exist that that might mobilize quickly themselves, or indeed have the potential to mobilize others. These groups are often driven by a complex mixture of grievance and greed; they often contain people for whom the status quo is intolerable and people who stand to derive benefits from conflict.[40] Without mobilizing groups, risk factors are likely to remain fragmented and individualized, and the potential for violence is likely to remain latent.

This study has identified four groups of concern in Azerbaijan: a large youth cohort; a substantial group of impoverished and embittered IDPs; increasingly nervous ethnic groups; and individuals influenced by extremist Islam. These groups are, or have the potential to be, relatively cohesive, both due to their shared problems and interests and in some cases due to geographic concentrations. They should not be thought of as "troublemakers:" there are few signs that many, if any, of their members are currently inclined towards violent action. However, if other factors arise that weaken or divide the government or create tensions among the population, such groups could be the focal point of, or facilitate, rapid mobilization and radicalization.

Youth

Azerbaijan has a large youth cohort. In 2002, the proportion of population under age 29 was 55.3 percent, with a median age for the population of 27.1 years (25.7 for males, 28.6 for females). Of these, the proportion of population aged between 15 and 29 was about 28 percent.[41] These figures suggest that a "youth bulge" will persist for at least another decade and probably longer, depending on the distribution within those currently aged 14 and under.

This fact is of significance to those interested in violent conflict because as mentioned earlier, a strong correlation exists between large youth cohorts (a high number of 15 to 29 year olds relative to the total population) and political violence.[42] In particular, World Bank research shows that youth unemployment can have a critical bearing on the probability of violent conflict.[43] Where young people—particularly young men—are uprooted, jobless, intolerant, or alienated and with few opportunities for positive engagement, they represent a ready pool of recruits for ethnic, religious, or political extremists seeking to mobilize violence. While labor migration dissipates this problem to some degree (see below for a more detailed discussion), the seasonal quality of much of such migration means that pools of young men are still likely to form at different times.

[40] Sambanis 2003.
[41] CIA World Factbook 2003.
[42] Fuller and Pitts 1990.
[43] World Bank Conflict Assessment Framework, 2003

Internally Displaced People (IDPs)

Another group with the potential for mobilization is that of Azerbaijanis internally displaced as a consequence of the conflict with Armenian forces over Nagorno Karabakh. According to Norwegian Refugee Council estimates, more than 570,000 Azerbaijanis were still displaced in 2003. Significantly from the point of view of prospects for violent conflict, large economic disparities exist between IDP populations and other Azerbaijanis. According to government figures, in 2001 the average Azerbaijani income was 53.4 USD/month, while the IDP/refugee average was 18.1 USD; World Bank figures put the percentage of IDPs classified as "extremely poor" at nearly twice the national average (41 percent, as opposed to 24 percent nationally). Unemployment among the displaced population is significantly higher than the national average: the Norwegian Refugee Council, for example, has put the number of IDPs employed or earning regular wages at 20 percent. Meanwhile, the percentage of refugees and IDPs above 16 years of age who have not completed the mandatory education, already twice the national average (20.6 percent), is likely to increase given that school attendance of displaced children, particularly among girls, has been falling during the past decade—a fact that bodes ill for employability.

Globally, young second-generation IDPs have shown themselves particularly vulnerable to radicalization. Refugee camps tend to lack institutions that meet the needs of youth—competitive and non-competitive recreation, structured social events and organizations, training for jobs and economic self-support, and training in leadership and self-governance. Adult males are particularly absent from camps, reducing resources for supervision and guidance of youth. In addition, because of the powerful factionalism that occurs where refugees have been created by conflict and discriminatory attacks, refugee communities are prime places for the brewing of ethnic or group hatreds. Refugee camps thus often act as incubators for exceptionally violent and confrontational youth. These conditions, according to some analysts, are already noticeable in Azerbaijan's IDP community, where public opinion polls and youth organization studies reveal a radicalization of the political views of young people on the Karabakh conflict.[44] Indeed, a number of individuals interviewed were of the opinion that it is only a matter of time before terrorist activity emerges among second-generation IDPs.

One issue that has the potential to spark conflict between IDP populations and local communities is that of resource allocation, in particular allocation of land and water. As Azerbaijani citizens are eligible to participate in land privatization only in their home raions, IDPs are effectively excluded from owning land; as a consequence, only 10 percent of the World Food Program's rural IDP beneficiaries in 1999 had access to land for cultivation.[45] Meanwhile, while many local communities have been extremely hospitable to IDP populations, in other cases IDP groups have complained of unreliable access to water.[46]

Ethnic Groups

Particularly since the ethnic redistribution that occurred in the late 1990s in conjunction with the conflict over Nagorno Karabakh, Azerbaijan is overwhelmingly ethnic Azeri. In 1999, Lezgins made up 2.2 percent of the population; Talysh, 1 percent; and Avars, .6 percent.[47] At the moment ethnic relations in Azerbaijan are relatively peaceful. Ethnic minorities form a majority in only a few regions (e.g. Gussary, where Lezgins constitute 91 percent of the population.) Ethnic separatist organizations that emerged in the beginning of the 1990s did not attract widespread support.[48] The call by the Dagestan-based Sadval movement in 1991 for an independent Lezgistan essentially fell on deaf ears in Azerbaijan, and the movement officially renounced its stance in 1996. Similarly, efforts in 1993 by Colonel Alikram

[44] Yunusov 2003: 144.
[45] UNDP 1999.
[46] CHF 2003.
[47] Matveeva 2002.
[48] Yunusov 2003: 145.

Humbatov to proclaim an independent Talysh-Mugan Republic failed to attract significant Talysh support.

However, it would be unwise to declare Azerbaijan free of the potential for ethnic conflict. Clashes among different ethnic groups are one of the most common aspects of violent conflict in the post-Cold War era. While the concept of ethnic conflict as the inevitable consequence of "ancient hatreds" has been largely discredited, most research suggests that even ethnic identities that have been constructed as relatively neutral organizing principles can under certain conditions turn into powerful tools for mobilizing mass violence, particularly when ethnic cleavages overlap with other sources of tension, such as political exclusion or economic deprivation. Particularly worryingly in the Azerbaijani context, states with poor track records in dealing with any minority group are at higher risk both of renewed conflict with that group and of fresh conflict involving other minority groups.[49]

Structural factors also exist in Azerbaijan that have the potential to exacerbate the effects of ethnic difference. Some evidence suggests that ethnically-related violence is correlated to political systems: ethno-political groups are more likely to turn to violence in "gray zone" political situations such as Azerbaijan's than in democracies, where dissatisfaction is more likely to be expressed through peaceful protest.[50] Certain ethnic settlement patterns also appear to be more conducive to violence than others; violent conflict is more likely in situations (such as that found in Azerbaijan) where distinct groups are concentrated in various regions of the country. Particularly if a minority grouping makes up the majority of the population living in a particular region, violent conflict is more likely than if groups are widely dispersed.[51]

Indeed, the relatively positive ethnic situation in Azerbaijan shows signs of eroding. Instead of acknowledging and accommodating ethnic diversity, the Azerbaijani government has frequently opted for a strategy of denial. On the one hand, the government has shied away from acknowledging the size of minority groups: for example, although Azeri as well as Talysh experts put the numbers of Talysh at as high as 200,000-250,000, the authorities are reluctant to accept these figures, and the 1999 census put their numbers at 76,800.[52]

On the other hand, the government has failed to codify the rights of those minority groups whose existence it recognizes. In particular, the government has not met its Council of Europe obligations in relation to establishing legal provisions for rights of minorities (the only Council obligation it has completely failed to address), for instance in the area of language education and rights. The Lezgin and Talysh languages are only taught for 2-3 years in select primary schools; furthermore, the authorities mandated a transfer in August 2001 of all languages to Latin script, a move unpopular with many Cyrillic-using Lezgins. Meanwhile, some ethnic leaders are concerned by a perceived rise in militant Azeri nationalism—in, for instance, the statements of former Interior Minister and head of the nationalist Boz Gurd (Grey Wolf) party Iskander Hamidov, whose recent release from prison some cite as evidence of growing government tolerance for extremist ethnic rhetoric.

As a consequence, some ethnic leaders are expressing increasing concern for the future of their groups, and the Talysh and Lezgin communities are showing signs of self-mobilization, for example setting up programs of language and cultural instruction. These activities, ethnic activists say, have attracted government harassment and in some cases brief imprisonment. This has led some to say that the response of their groups will be to take their activities underground. Meanwhile, conspiracy theories are multiplying: for example, some Talysh activists are convinced that both the government and the nationalist opposition are conspiring to keep ethnic minorities economically disadvantaged (the former,

[49] Gurr, 2000
[50] Gurr 1994.
[51] Toft 2003.
[52] Matveeva 2002.

they believe, out of fear of ethnic groups as an organized political force, the latter out of hopes that economic hardships will force ethnic minorities to assimilate or migrate), while others argue that the government is behind the growing drug problem among Talysh youth. While rarely attributable to straightforward ethnic motivation, incidents of clashes between ethnic Azeris and members of other ethnic groups—for instance, with Avar vigilante groups over forestry rights in Belakan—indeed appear to be on the rise.

Prospects for Extremist Islam

Another group that has the potential for mobilization is that of existing or potential members of groups advocating extremist forms of Islam. An estimated 94 percent of Azerbaijanis are Muslims, of whom some 65-75 percent are Shi'ite, with most of the remainder Sunni.[53] According to responses to a 2001 survey, 64 percent of Azerbaijanis identifying themselves as Muslim described themselves as "believers" (as opposed to a cultural identification); of these, only 18 percent observed daily prayers, and 29 percent fasted during Ramadan (54 percent said they did not fulfill any of the basic religious obligations). However, 35 percent of all respondents said that they had become more religious in recent years, and around 55 percent thought that religion was on the rise in Azerbaijani society. [54] Meanwhile, the Azerbaijani government keeps a watchful eye on all religious entities operating within the country's territory, "inviting" all religious communities to register with the State Committee for Work with Religious Organizations.[55] Muslim organizations are required to jump a double hurdle, as they need approval from the pro-government Spiritual Administration of Muslims of the Transcaucasus (SAMT) before they can apply for registration with the State Committee.[56]

The rise in religious consciousness in Azerbaijan has been accompanied by a proliferation of Islamic groups. Of greatest concern to the Azerbaijani authorities have been groups that are believed to have received foreign assistance, particularly from states such as Saudi Arabia or Iran. Among the groups that have inspired the most official concern are Wahabbists from Daghestan and Chechnya, who reportedly have been active among the largely Sunni Lezgin communities in the north of the country (Zaqatala, Belakan, Qax, Qusar, Xudat and Xacmaz have been identified as centers of activity).[57] Meanwhile, Iranian-sponsored groups have been active mostly in the south, particularly in the Talysh regions. The Azerbaijani government has on a variety of occasions accused such groups of engaging in extremist behavior that includes plotting against the security of the state.[58]

The appeal of extremist Islam to most Azerbaijanis currently appears to be low. An overwhelming majority of respondents in the 2001 poll mentioned above expressed their preference for keeping Islam out of politics and economics (91 percent and 74 percent respectively); most considered religion's spheres to be those of public morality and ethics (84 percent), culture (71 percent), and "family" (71 percent).[59] Meanwhile, the Azerbaijani government's tendency to label non-mainstream groups (particularly those who decline to attempt register with the State Committee) as "Wahabbist" or "Iranian-sponsored" should be viewed with caution; these charges frequently appear to reflect general government intolerance for activity that falls outside the scrutiny of the state more than they do any immediate threat to public order.

[53] Swietochowski 2002. A small Sufi population also exists.
[54] Faradov 2001. Meanwhile, 77 percent said they did not gamble, 60 percent did not eat pork, and 53 percent said they abstained from alcohol.
[55] Although registration with the Committee officially is not compulsory, police and local authorities reportedly have raided many religious communities that have refused to register or that have tried to register but have been rejected. Forum 18 News Service 2003.
[56] Forum 18 News Service 2003. Imams are also subject to "attestation tests" drawn up with Committee participation.
[57] *Zerkalo*, 4 January 2002.
[58] Forum 18 News Service, 20 October 2003.
[59] Faradov 2001.

Moreover, even in instances where the influence of Iranian clerics can be seen, it is important to note that a considerable number of the higher Shi'ite clergy in Iran do not advocate a theocratic regime; therefore, the choice by an Azerbaijani believer of an Iranian cleric as a spiritual leader does not necessarily equate to an Islamist political stance.[60]

Nevertheless, conversations with local experts on Islam in Azerbaijan reveal at least three issues that have the potential to boost the popularity of extremist forms of Islam in the country.

Corruption in the area of social service delivery: According to some experts, Islamic organizations have gained popular trust due to their willingness to provide critical social services (meals, education, humanitarian assistance) that are badly tainted by official corruption. Interestingly, many say that Islamic organizations are seen as less corrupt not only than government bodies but also than secular or Western NGOs. The SAMT's reputation for corruption (the team heard stories, for instance, of the SAMT's sale of Azerbaijani places on the Haj to Iranians) also has the potential to discredit mainstream Islamic organizations.

New social problems: A number of social problems have arisen since the collapse of the Soviet Union, including prostitution, drug use, and trafficking in women, that play into the hands of adherents of extremist Islam. In some cases, these trends are simply due to an erosion of state control over private behavior. In many cases, however, they reflect the desperate economic situation and the hopelessness it engenders. Indeed, in some cases, otherwise successful survival strategies have unexpected consequences. For instance, poor regions experiencing high rates of labor migration are also experiencing declining marriage rates, as young men take wives outside the country or delay marriage until they can return permanently. As a consequence, young women in the region who cannot find husbands are at higher risk of engaging in prostitution or of being entrapped by traffickers who promise well-paying jobs outside the country. Public concern over these problems may be increasing the appeal of the social conservatism advocated by most adherents of extremist Islam, who attribute such problems to the impact of Western businesses and the negative influence of Western values more generally. Indeed, some women reportedly have called for restoration of legal polygamy and temporary marriage allowed by Islamic law to compensate for the shortage of prospective marriage partners.[61]

Government repression: As noted above, the government has responded strongly to non-mainstream Islamic groups and to manifestations of conservative religious observance, often conflating calls for religious freedom with anti-state activity. In 2002, for example, the government closed 22 of the country's 26 *madrassahs* (Islamic schools), accusing them of foreign funding and of promulgating extremist Islam.[62] Meanwhile, authorities have refused to allow devout Muslim women to be photographed for identity documents or passports while wearing the *hijab;* women who refused to be photographed for their identification documents without headscarves (reportedly numbering in the thousands) were unable to vote in the 2003 presidential elections unless they held old Soviet-era identity documents.

This stance is not without risk. Governmental harassment of Islamic groups that refuse to submit to the authority of the SAMT runs the risk of driving such groups underground and of creating a martyr syndrome that could actually increase interest in their activities. Indeed, some analysts have suggested that prisons are already a site of dissemination of extremist Islamic thought.[63] Furthermore, the government's harsh stance towards other forms of political opposition may in fact be pushing opposition activity towards religious communities (existing restrictions on association, for instance, make mosques

[60] Motika 2001.
[61] Swietochowski 2002.
[62] Forum 18 News Service 2003.
[63] An additional worrying point is that, according to many experts, the level of understanding of Islamic doctrine and practice among Azerbaijanis, particularly the young and urban dwellers, is low; as a consequence, they are in a poor position to contextualize extremist views. Faradov 2001, Swietochowski 2002.

one of the few sites where groups can gather), exacerbating the problem. Meanwhile, with lay political parties at the mercy of the security forces, Islamic associations may be among the only opposition groups that know how to operate underground. The situation indeed may show nascent parallels to (for instance) Uzbekistan, where official efforts to prevent religious faith from challenging the government's power have stigmatized believers, and ultimately encouraged believers to think of themselves, as "enemies of the state," with increasingly violent results.[64]

Future Prospects: Azerbaijan at the Crossroads

Azerbaijan thus stands at a crossroads. On the one hand, as detailed above, the country exhibits a number of attributes and trends that are associated with the emergence of violent conflict. On the other hand, the country's economic prospects are brightening, and a new President has the opportunity to enact the fundamental reforms that will be necessary for Azerbaijan's long-term economic health and stability. Whether or not Azerbaijan experiences wide-spread violence in the near future will thus be a product both of existing factors and of political will.

Notably, some structural factors already exist that are working against the emergence of violent conflict. Primary among these is labor migration of working-age males to Russia and Turkey. In the 1990s, people from the regions moved to Baku in search of work, a trend that could have proved disastrous if sustained. Now, however, more are leaving the country than are migrating internally. An estimated 2 million Azerbaijani citizens derive part or all of their income from stints working outside the country, especially in Russia and Turkey. Of these, an estimated 600,000–800,000 are seasonal laborers, returning to Azerbaijan for at least part of the year; the rest spend the majority of their time outside the country. [65]

The phenomenon of labor migration is not without social costs and risks. As discussed above, it leads to demographic dislocations, such as falling marriage rates that alarm social conservatives. Furthermore, as several of the team's interlocutors emphasized, labor migration may be siphoning off the most talented and energetic Azerbaijanis, particularly among younger people. This fact has the potential to harm the country's overall development in at least two ways. First, the loss of skills, ability and initiative saps the potential for domestic economic and political innovation. Second, the cohort left behind is likely to be made up of individuals who either are less enterprising than their migrant peers or who are particularly adept at working within corrupt structures. Neither are likely to be engines of reform; either may be at higher risk of involvement in violent conflict, either due to feelings of frustration and hopelessness (making them more susceptible to appeals from extremists) or due to fear of losing out if reforms are implemented. Also, were Russian authorities ever to impose a tight visa regime on migrant labor (as has occasionally been threatened), the surge of freshly unemployed laborers back into Azerbaijan could be highly destabilizing.

Nevertheless, for the time being labor migration provides an important safety valve for Azerbaijan's unemployed, as well as vital income. Between them, labor migrants remit between US$1 billion and US$1.5 billion a year, with each worker sending between US$100 and US$300 a month.[66] These remittances play an important part in keeping entire families solvent, particularly in the poorer regions. Furthermore, the absence from the country of such a substantial cohort of younger men thins the ranks of potential recruits to violence.

The dangers posed by one particular risk factor, Azerbaijan's youth bulge, are also smaller than they might be, for two reasons. First, labor migration serves as a safety valve for the youth cohort, although primarily for the upper end of the bulge (most migrant workers reportedly are between the ages of 25 and

[64] Human Rights Watch 2004.
[65] Yunusov 2003: 145.
[66] Yunusov 2003: 145. Prior to the Russian financial crisis of 1998, remittances were an estimated $2.5 billion a year.

40). Second, Azerbaijan's youth bulge is in fact decreasing, albeit slowly; by comparison, in 1990 the portion of the population between 0 and 29 was 62 percent. [67] Indeed, the country's youth cohort is likely to further decrease as the country's birth rates go down. Azerbaijan's birth rate dropped by 40 percent between 1990 and 1998; meanwhile, the country's total fertility rate dropped from 2.7 in 1991 to 1.6 in 2001.[68] Population growth estimates now range from 0.45 percent to 1.01 percent.[69] The changing age structure of the female cohort, urbanization, and plummeting marriage rates (which roughly halved between 1990 and 1998) are among the reasons cited for the decline.[70]

Meanwhile, as noted above, widespread violent conflict is far less likely to emerge in the absence—as appears to be the case in Azerbaijan—of organizations or groups capable of broad-scale mobilization. Since the presidential elections last October, the main opposition political parties appear weak and fragmented. Their inability to generate wide-scale protests in the wake of the presidential elections is suggestive of their lack of nationwide popular bases. Furthermore, the country lacks non-governmental organizations (NGOs) capable of mobilizing a substantial pool of supporters. (According to a 2002 survey, only 16 percent of Azerbaijanis knew what an NGO was; only 3.2 percent of those surveyed were able to name a national NGO unprompted.[71])

Indeed, the country's chances of avoiding violent conflict have the potential to improve, depending on how the current government responds to the situation and how cohesive it remains. As noted above, after over a decade of decline, Azerbaijan's manufacturing sector has begun to show signs of modest growth.[72] President Aliyev has promised to create 600,000 jobs over the next five years, to combat corruption, and to raise living standards across the country, with a special focus on developing regional economies and improving the lives of the country's poorest IDPs. If regional economies begin to rebound, small and medium sized enterprises begin to develop, and employment improves, Azerbaijan may remain internally stable for some time.

However, Azerbaijan's future is not without hazard. First, the success of economic reform measures is far from assured. While reform of legal structures and the banking system has occurred in theory, the translation of such reforms to practice has been severely hampered by bureaucratic inertia and corruption. In the absence of substantial changes in this business environment, the non-oil sector is likely to continue to stagnate. Pervasive corruption may further complicate efforts to distribute oil benefits more equally, while growth in the oil sector has the potential to encourage complacency among national economic planners and a concomitant neglect of the problems facing the non-oil sector. Furthermore, any emergence of Dutch Disease could inhibit the resurrection of the non-oil sector and hence the prospect of boosting employment nationwide, particularly in non-oil-producing regions. Meanwhile, unemployment disparities between the IDP and settled populations may grow as younger IDPs fall behind national education averages. Under these conditions, frustrations with unemployment, with shortfalls in basic services, and with social dislocations could spark protests of the type already seen in the Baku village of Nardaran.

Second, the prospects for political reform and campaigns against corruption are also mixed at best. The levels of commitment to political reform or a battle against corruption on the parts either of President Aliyev or of his advisory circle is not yet clear. Furthermore, the cohesiveness of the country's political and economic elites under conditions of partial or whole scale reform should not be taken for granted.

[67] Gardashkhanova 2000; WHO 2004.
[68] Gardashkhanova 2000; WHO 2004.
[69] Gardashkhanova 2000; CIA World Factbook 2003; UN DESA 2004. WHO data also shows a shift in the percentage of the overall population over the age of 60 between 1991 (8.2%) and 2001 (10.5).
[70] Gardashkhanova 2000.
[71] ISAR-Azerbaijan 2002.
[72] According to World Bank figures, Azerbaijan's post-Soviet fall in production in the manufacturing sector bottomed out in 2001, with a rise of 4 percent in 2002. World Bank 2004.

Some analysts have argued that Azerbaijan's current political formations are not cemented into place; rather, they say, these formations cooled into particular patterns under Heydar Aliyev's presidency, with the possibility of a return to a molten state if the new president is unable to maintain the same level of control as his father. Any move that shows the signs of disproportionately benefiting or harming a particular political grouping—such as an anticorruption campaign directed at a particular area of the economy—has the potential to trigger a backlash among affected elites. If the national political leadership fragments over questions of political or economic reform or redistribution, elites could be motivated to incite violence as part of a power grab. Meanwhile, efforts by the government or other elites to use ethnic or religious "scapegoating" as a strategy for gaining or maintaining political or economic power (as is already happening to some degree with nonconformist Islamic groups) have the potential to be particularly dangerous.

The prospects for emergence of widespread violent conflict in Azerbaijan will be the highest if several of these trends converge. Widespread violence is most likely to occur when multiple factors—deep and overlapping sources of grievance, political and economic competition, irresponsible political leadership, weak and unaccountable institutions, and global and regional forces—interact and reinforce one other. It is worth noting, moreover, that even scattered episodes of violence related to isolated factors might have the potential to lead to significant instability: some analysts doubt that the Azerbaijani security apparatus is capable of handling multiple outbreaks of unrest, even if unconnected. Whether or not this is true, it seems extremely unlikely that the Azerbaijani security services possess the skills, the resources, or the will to quell either isolated or widespread protests in a peaceful fashion; as a consequence, any outbreaks of violence could easily escalate rapidly.

In upcoming months, Azerbaijan will face potential windows of vulnerability—moments when many forces related to conflict could come together in a relatively brief period of time. Many of these moments are likely to be unpredictable, such as the arrest of popular religious or ethnic leaders. However, scheduled events that threaten to change the balance of political or economic power between key players are also risky. Most immediately, irregularities in the municipal council elections later this year could precipitate clashes, particularly if non-elected authorities take steps to frustrate the reelection of councils that have shown themselves more democratic (or at least more effective) in their handling of local problems or to block the election of reformists. Municipal councils that have been identified by various groups as particularly progressive (and whose constituents might therefore take particular objection to seeing them ousted) include Sarvan village (Salyan district); Serkar vilage (Samux district); Yuxari Tala village (Zaqatala district); Mingechevir city; Corat settlement; and Yasamal district (Baku). Areas that experienced unusually high levels of post-election violence and/or arrests after the 2003 presidential elections may also be at higher risk of clashes around any election. According to figures compiled by NDI, these include not only Baku itself but also Ganja (which, with a population slightly under a quarter of that of Baku, experienced nearly half as many arrests), Xachmaz (which experienced the highest rate of arrests per capita among the major cities, with high reported levels of police brutality), Salyan, Zaqatala, Gazakh, Tovuz, and Ali-Bayramli. Other potential election-related hotspots include devout Islamic areas such as Baku's Nasimin district, where (as noted above) women lacking current identity documents due to their refusal to be photographed without headscarves have faced difficulties in exercising their right to vote.

Finally, regardless of whether internal conflict emerges, the chances of renewed violence within the next decade between Azerbaijan and Armenian forces over Nagorno Karabakh appear high. Since the presidential elections, Azerbaijani officials have reiterated disenchantment with the Minsk process and made bellicose statements amid reports that military expenditures will increase as oil revenues grow. A confrontational stance is also favored by most opposition parties, many of whose members have called for the use of force if negotiations fail to achieve progress. Meanwhile, popular support for renewed conflict is high, fanned by school textbooks, government rhetoric, and the media. If chances of economically- or politically-driven unrest in the country appear to be growing, the government may use renewed hostilities

as a diversionary tactic; conversely, lack of movement in negotiations might spark popular protests. As a consequence, the chances of a conflict-related humanitarian crisis in the next decade appear significant.

Recommendations

USAID and its partner organizations already have many programs in place that either explicitly or implicitly address many of the most important sources of violent conflict in Azerbaijan. Existing USAID and partner programs that—for instance—support the revival of the non-oil sector and of regional economies, provide employment programs, provide exit from corrupt banking systems through the provision of credit, or promote non-violent dialogue between the government and civil society already play a valuable conflict prevention role. In many cases, the conflict prevention function of these programs might be enhanced simply through more explicit attention to at-risk groups or regions or through folding in (for instance) anti-corruption strategies. Over the longer run, however, activities that focus on only one dimension of the problem, such as youth unemployment or competing claims to land, are unlikely to make as much headway as a coordinated response between economic, democracy and governance, and health and education programs.

This study recommends that the Mission continue and expand conflict prevention efforts focused on ameliorating key economic grievances and strengthening the capacities of peaceful avenues for deliberation, dissent, and redress. **Key conflict-related goals** for each of the issue areas described above would appear to be:

Economic issues:

- Encouragement of employment across all regions of the country, especially for young people and IDPs.
- Reduction of chances of resource-related conflicts.

Political Issues:

- Encouragement of supply-side as well as demand-side commitment to and ability to deliver political empowerment of citizens, especially outside the capital.
- Strengthening of avenues for the peaceful settlement of disputes, both within and outside the legal system.

Corruption:

- Reduction of corruption's overall impact on the economy and in particular its multiplier effects on existing frustrations.

*Groups at risk:**

- Economic and psycho-social integration of young people and IDPs.
- Reduction of anxiety among ethnic groups.
- Inhibition of development of religious extremism, especially among young men.

* Note: all projects related to groups at risk should also target geographic regions at special risk. In multi-ethnic areas, all partners should pay attention to ethnic balance when considering program recipients. Anti-corruption activities, particularly in the areas of humanitarian assistance and education, will be particularly important in relation to religious issues.

In addressing these goals, some **crosscutting themes and general recommendations** apply across the board. These include:

Engage young people: As noted above, when young people – particularly young men – are uprooted, jobless, and with few opportunities for positive engagement, they represent a ready pool of recruits for ethnic, religious, and political elites seeking to mobilize violence. Young people living in urban and peri-urban areas appear to be particularly at risk, in part because they lack the informal social and economic

safety nets that exist in rural areas and in part because there tends to be more ethnic and religious mixing in urban areas. The challenge is to identify those youth most at risk and find ways to engage them in constructive economic, political, and social activities. Take, for instance, the example of employment generation: from a conflict prevention point of view, in high-risk areas attention should be directed specifically to getting young people working as quickly as possible. As a consequence, the attractiveness of traditional programs to young people—agricultural programs for example—needs to be examined. This principle can be extended to recipients of USAID-funded credit; SME development programs, for instance, might be emphasize the need for recipients to prioritize young people in their hiring.

Engage private sector interests and associations: The private sector and economic associations have a number of unique qualities that have not been sufficiently harnessed for the purposes of conflict management. Their interest in stability is self-evident; they can often bring more pressure to bear on local and national government officials to adopt constructive policies than traditional peace-building NGOs; and in areas where other civil society groups are divided along ethnic lines, economic associations are often multi-ethnic.

Strengthen 'bridging' institutions and processes: Strengthening institutions and processes that cross lines of division, both within and among regions, should be a major theme in all programs. Programs that bring different groups—ethnic, religious, social--together around concrete activities such as small business development, building schools and clinics, improving the quality of education, or developing regional markets are a direct and powerful way to illustrate shared interests and counter those groups and individuals that are promoting more intolerant and exclusive rhetoric. For example, a study of urban violence in India found that the critical difference between areas that experienced violence and those that did not was the existence of formal institutions – trade associations, unions, peace committees, parent-teacher associations – that crossed lines of ethnic division. These institutions provide a neutral forum for discussing and resolving tensions at an early stage; furthermore, these groups actively brought pressure to bear on elites who were turning to ethnic and religious extremism in order to mobilize political support. When possible, efforts to strengthen multi-ethnic or religious associations should be conducted in tandem with organizations that have a proven track record of mediating tensions in the area.

Strengthen the capacity of local governments—both municipal councils and excoms—to identify and address conflict issues: Instability and conflict bring to the fore issues (competition over access to land, tensions between ethnic and religious groups, youth unemployment) that are often best addressed at the local level. Yet most local governments in Azerbaijan (whether the elected municipal councils or the unelected excoms) lack the resources and skills necessary to identify, prioritize, and address these issues.

Engage spoilers or potential spoilers: In addition to like-minded civil society partners, the Mission should seek out opportunities to work with individuals and organizations who are not committed in principle to the peaceful resolution of disputes or who have an incentive to mobilize or participate in violence. In areas where there is a lack of will for reform on the part of the government and many groups seem headed down a violent path, there is an understandable tendency among donors to focus on like-minded civil society groups when developing conflict management and mitigation activities. While this is an extraordinarily important component of any conflict management strategy, these groups have been asked to carry far too heavy a burden in resolving a problem they ultimately did not cause. It is absolutely critical that the Mission find ways to engage actors and organizations who are potentially part of the problem. This includes groups such as traditional ethnic or religious associations, local government officials, youth leaders, political elites, and members of the security sector.

Incorporate anti-corruption messages into all possible initiatives—particularly programs that provide alternatives to participation in corrupt structures, such as SME/micro-credit programs: Many USAID and partner programs serve as object lessons for the benefits of breaking the corruption cycle—a fact that donors should not hesitate to emphasize and capitalize on. For instance, credit programs might try to build

circles of virtue by asking credit recipients to pledge themselves to trying to break out of the corruption cycle. Transparency Azerbaijan is an excellent source of possible ideas in this area.

Maintain a balance in programming between Baku and the regions: This point is especially important for those regions at higher risk of ethnic or religious tensions or those with particularly weak regional economies. The recommendation extends to democracy and governance programs, which may find that the opportunities for working with municipal councils are actually higher outside the capital.

Maintain a balance between the state and society sides in pursuing reforms: As the Mission knows better than any, popular frustration—with economic hardships, with political deadlock, with corruption—already lies close to the surface in Azerbaijan. Convincing those in positions of power—political, economic, social—that they too can benefit from reform is thus a vital complement to the process of civic education if violent conflict is to be avoided.

Sample Programs might include programs designed to achieve the following goals and specific objectives or tasks:

1. Boost youth employment through programs linking labor market supply and demand.

Unemployment is at the heart of the risk this age group represents. Young people often participate in violence because membership in extremist organizations provides immediate economic benefits, because violence itself offers opportunities for economic gain (through direct payment or looting), or because violent conflict promises to open up longer term economic options (for example, through patronage if 'their' ethnic or religious group captures power). Providing targeted job training and employment for young people is therefore a critical element in dampening incentives for violence. USAID and other donor evaluations consistently show that disadvantaged or at risk youth are best served by training in relevant skills and assistance in securing stable employment. Collaboration with the private sector to train and employ young people has proven to be a particularly successful approach, and has the potential to reach far larger numbers of young people than programs that do not directly target youth employment. It is of course important, however, to consider local economic opportunities when offering training programs; otherwise, programs can raise expectations in a potentially destabilizing way.

It is also important to focus on holistic programming for young people, although employment should be a key concern. For example, In the **United States**, YouthBuild is a network of 200 community-based programs that target unemployed and undereducated young people, ages 16-24. The youth perform meaningful work by building affordable housing for low-income people, while learning construction skills. Half of their time is spent working toward their GED. The program also emphasizes leadership development, community service, and the creation of a positive community committed to success. Through workshops and retreats, youth learn decision-making, group facilitation, public speaking, and negotiating skills which they use in their community improvement projects and in advocacy. Youthbuild is structured so that the young people share in the governance of their own program through an elected policy committee. Without these additional elements, high risk youth are often unable to secure sustainable employment or achieve meaningful participation. See the "Youth and Conflict" toolkit for a number of examples of possible programs.

2. Give citizens the skills and resources to settle resource allocation disputes peacefully. Meanwhile, provide technical assistance to government institutions that issue land titles and adjudicate disputes.

Community-based land mapping/legal education programs have the potential to defuse conflict in areas where economic development initiatives are likely to generate a market for land (for example, along the BTC corridor). A project run in Kyrgyzstan by a World Bank Development Marketplace grant, entitled "Legal Rights Advocacy: Empowerment of Local Community Leaders," is a possible model. This project,

implemented in three *oblasts* that were selected because of a record of frequent land conflicts, empowers local leaders to be knowledgeable advocates for villagers who need assistance in exercising their land rights by training them in the content and exercise of the relatively progressive Kyrgyz land laws. These advisors in turn trained and routinely worked with local leaders, who then served as advocates on behalf of land rights holders. During a one-year period, the project assisted over 4,000 Kyrgyz citizens in taking action against and resolving land conflicts with a variety of local officials and collective farm bosses. Use of local leaders allowed disputes to be resolved within the community structure, semi-formally, and in a way that did not contravene local customs. As with most issues, maintaining the demand/supply balance will be an important part of preventing a buildup of title-related frustrations.

3. Build cooperation between appropriate municipal councils and heads of local executive authorities (excoms).

While many of Azerbaijan's municipal councils are effectively impotent, a few are notable for their relative vigor and their ability to work effectively with their excoms. As noted above, these include include Sarvan village (Salyan district); Serkar vilage (Samux district); Yuxari Tala village (Zaqatala district); Mingechevir city; Corat settlement; and Yasamal district (Baku). These councils can be used as a model for other promising municipal councils/excom partnerships, with the goal of encouraging appointed officials to work more closely with elected bodies and to support greater democratic accountability and fiscal decentralization. For instance, seminars introducing other municipal councils to the experience of successful council/excom partnerships may have a demonstration effect. Meanwhile, joint training and technical assistance programs might help cement existing council/excom partnerships.

4. Develop the capacities of municipal councils, particularly in poorer regions.

Even municipal councils that do not wield substantial autonomy nevertheless are a potential training ground for individuals interested in local government. Training municipal councils to deal with problems of social services not only has the potential to build their capacity overall, but also can undercut potential sources of conflict. (For instance, SAID has used water and sanitation projects to develop capacities for local self-government in the West Bank and Gaza—see the "Local Governments and Conflict" toolkit.) Meanwhile, instance, programs that increase council members' understanding of business imperatives could lay the groundwork for the evolution of better-informed, better-networked councils with the skills necessary to bring economic benefits to their communities. Programs that encouraged cooperation between municipal councils and businesses on conflict-related projects, such as partnerships on youth employment, have the potential to be doubly beneficial.

5. Expand citizens' engagement with the legal system as well as avenues for the peaceful settlement of disputes outside the legal system.

One possible model is the Legal Assistance to Rural Citizens (LARC) program in Kyrgyzstan, run by USAID and the Swiss Agency for Development & Cooperation.
This project employs Kyrgyz lawyers to provide legal assistance to rural citizens as they exercise new land rights. LARC's lawyers also provide public education and legal consultations to government leaders and other lawyers and publish a monthly newsletter, "Land Law." The project transparently defuses conflicts by obtaining formal rulings that establish legal precedents that assist other citizens in resolving their disputes. A similar program in Ecuador created a network of community paralegals, selected by local communities and indigenous organizations to become specialists in land rights, land use, natural resource management, and conflict management. The fact that the paralegals were locals made them particularly well suited to tackle the difficult task of reconciling conflicting claims and uses and increased community trust in their findings. Also see the example of the World Bank Development Marketplace project in Kyrgyzstan cited above for an example of dispute resolution outside the legal system.

6. Expand current election monitoring and election support programs to include municipal council elections, particularly in municipalities where councils are standing up to excoms and religiously observant municipalities.

In municipalities where municipal councils are working effectively, citizens are likely to be more engaged with the results of municipal elections than with national-level elections, which many Azerbaijanis now view as irremediably corrupt. In particular, any efforts by non-elected authorities to secure the ouster of relatively effective councils is likely to spark popular indignation and possibly clashes. Election support campaigns should also try to encourage the authorities to find a solution to the headscarf issue to ensure that religiously observant female voters are not disenfranchised.

7. Increase overall family income for groups especially at risk of involvement in low level administrative corruption.

Many individuals who take bribes do so because their official salaries are inadequate to support of their families. Efforts to increase overall family income have the potential to break the corruption cycle, particularly if anti-corruption messages are incorporated. In Cambodia, for example, a micro-credit program specifically targeted he families of public servants has proven strikingly successful in reducing bribe-taking. Incidentally, teachers, if hooked in to anti-corruption efforts, have particular potential to disseminate ideas widely; education-related corruption is also an especially neuralgic issue for many Azerbaijanis.

8. Provide tolerance activities or psycho-social counseling for second generation IDPs.

In keeping with the first recommendation, it is important to develop holistic programs for engaging young people, particularly those that have either experienced violence or have spent their lives living with the obvious consequences of conflict and displacement. Many young people living in IDP camps struggle with post-traumatic stress or other psycho-social problems. It will be difficult for other programs in health, education, or employment to succeed unless these needs are addressed as well.

9. Expand current civic education programs to include ethnic tolerance messages.

USAID and its partners may want to consider making discussions of ethnic tolerance and other conflict related issues such as the importance of peaceful opposition a more explicit component of its current civic education programs. It may also want to expand beyond the current IFES program to include more active methods of teaching. Recent studies suggest that 'learning by doing' is more effective at changing behaviors than more passive methods such as lectures. A number of civic education programs that have shown impressive results encourage young people to come together around common concerns and develop solutions they can take to local leaders together. To the extent that this can be done across ethnic divides, it will be an important tool in helping to bridge differences.

10. Expand community mobilization in ethnically mixed areas in fashions explicitly designed to bring different groups together around common projects

Various studies have shown that while informal association—marriage, friendships—do little to check upsurges in interethnic tensions, a history of formal associations can play a stronger role in averting violence. Where it is possible to bring members of different ethnic groups together, especially around concrete projects that promise to improve everyone's position, these types of activities are an important way to illustrate shared interests and concerns, and can act as a partial bulwark against groups that are promoting more intolerant and exclusive rhetoric.

11. Focus on strengthening the provision of key social services in religiously conservative areas, particularly where the government is closing down religious alternatives.

As discussed above, the ability and willingness to provide otherwise unavailable or prohibitively expensive social services is a key drawcard for Islamist groups. Secular provision thus has a vital role to play in inhibiting the growth of religious extremism. Such programs might be complemented by a strengthening of anti-corruption initiatives in the educational sector and in the delivery of humanitarian assistance.

12. Support the creation and strengthening of non-religious charitable organizations.

Adherents of extremist Islam frequently argue that secular societies lack the charitable impulses that Islamic societies should seek to embody. Non-religious charities can serve to undercut this argument while helping to provide the services that Azerbaijanis are currently turning to Islamic organizations to receive. Involvement by businesses, if achievable, also promotes the development of corporate social responsibility.

13. Engage non-conformist Islamic religious leaders in development initiatives.

Islamic groups that refuse to acknowledge the spiritual authority of the SAMC currently are marginalized. Engaging nonviolent groups in development initiatives has the potential to give them a stake in mainstream processes and outcomes; to lend popular credibility to development initiatives; to provide public diplomacy benefits; and to serve as tacit encouragement to the government to take a more tolerant position towards religious diversity.

14. Focus new health sector initiatives on HIV/AIDS, drug rehabilitation, and support for victims of trafficking, especially in particularly affected regions.

Health activities offer number of unique opportunities for peace building. Given that health programs are seen as relatively neutral, they can provide an entry point for dialogue and open the door for discussion about more intractable issues. Furthermore, opposing sides have an interest in presenting a positive image both at home and abroad, and leaders can wear a mantle of moral leadership by being linked to health and humanitarian concerns. Finally, health professionals and organizations are often seen as impartial, and many have an intimate relationship with individuals and communities that are not easily reached through other sectors. The issues listed above are ones that feed into Islamist anti-Western rhetoric; currently, no organizations (with the exception of ineffective government clinics) are focusing on these issues in the country's south.

15. Identify and encourage potential peace constituencies in relation to the Nagorno Karabakh conflict.

Peace constituencies extend beyond individuals committed to the renunciation of violence; they include groups that stand to lose from renewed conflict, or to gain from a negotiated settlement. While at the moment few Azerbaijanis are prepared to call publicly for a compromise on Nagorno Karabakh, some communities—for example, residents of Nakhichevan, whose economic development is severely held back by the lack of a land link to the rest of the country—clearly have a great deal to gain from various models for a negotiated settlement. Identification and encouragement of such constituencies would be an important step towards the formulation of a larger-scale conflict prevention program in relation to this conflict. In the meantime, Internews projects promoting more balanced coverage of Armenia, of the OSCE-sponsored Minsk Process, and of the historical record of the conflict to date can play an important role in countering the hate rhetoric found in other media.

Appendix A – Persons Contacted

Washington DC, 4-6 February 2004

Hesketh Streeter, Director, International Affairs, British Petroleum

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Asif Nasibov, Executive Director, Center for Political and Economic Reforms

Leila Yunus, Director, Institute of Peace and Democracy

Anar Mamedly, Executive Director, Election Monitoring Center of NGOs

Solmaz Mehdiyeva, Executive Director, Resource Center for Human Rights Organizations (phone interview)

Mubariz Huseynquliev, International Monetary Fund

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Appendix C – Available and Forthcoming Toolkits

- Elections and Conflict
- Forests and Conflict
- Land and Conflict
- Local Governments and Conflict
- Minerals and Conflict
- Oil and Gas and Conflict
- Youth and Conflict